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**FISCAL IMPACT STATEMENT**

**LS 6026**  
**BILL NUMBER:** HB 1016

**NOTE PREPARED:** Jun 11, 2009  
**BILL AMENDED:**

**SUBJECT:** Property Tax Circuit Breaker.

**FIRST AUTHOR:** Rep. Bischoff  
**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
☐ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

STATE IMPACT	FY 2009	FY 2010	FY 2011
State Revenues			
State Expenditures		18,000,000	
Net Increase (Decrease)		(18,000,000)	

LOCAL IMPACT	CY 2009	CY 2010	CY 2011
Local Revenues	(203,000,000)		
Local Expenditures			
Net Increase (Decrease)	(203,000,000)		

**Summary of Legislation:** This bill increases the circuit breaker property tax credit that applies to property taxes first due and payable in 2009.

**Effective Date:** Upon passage; January 1, 2009 (retroactive).

**Explanation of State Expenditures:** The state would have additional expenditures for the school levy replacement grant estimated at \$18 M in CY 2009. This expenditure would take place in FY 2010 and would be made from the state General Fund. See *Explanation of Local Revenues* for more detail.

The Department of Local Government Finance (DLGF) would be able to adopt temporary rules that include the authority for county auditors to reconcile tax billings to account for the change in the caps.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Forty-nine counties have already billed 2008 Pay 2009 taxes. These counties would have to program, print, and mail reconciling statements that account for the change in the caps. The counties would face additional costs for these tasks.

**Explanation of Local Revenues:** Under current law, the property tax circuit breaker caps for taxes payable in 2009 will apply as follows:

- 1.5% gross AV threshold – Homesteads.
- 2.5% gross AV threshold – Non-homestead residential property, commercial apartments, long-term care facilities, land under a mobile home, and land used for agricultural purposes.
- 3.5% gross AV threshold – All other real and personal property.

For taxes payable in 2010 and later, the circuit breaker will currently apply as follows:

- 1.0% gross AV threshold – Homesteads.
- 2.0% gross AV threshold – Non-homestead residential property, commercial apartments, long-term care facilities, land under a mobile home, and land used for agricultural purposes.
- 3.0% gross AV threshold – All other real and personal property.

In addition, beginning in 2009, the annual increase in the net property tax bill for homestead property with a gross AV under \$160,000 that is owned by an individual who is at least 65 years old and has income under \$30,000 (\$40,000 joint) is limited to 2%.

Under this bill, the circuit breaker caps for 2009 would be reduced to 1.0%, 2.0%, and 3.0% from the current 1.5%, 2.5%, and 3.5% level. The caps for 2010 and later years would remain unchanged at 1.0%, 2.0%, and 3.0%. The additional elderly homeowner cap would also remain in place.

The total cost of the circuit breaker credits under the bill is estimated at \$411.3 M in CY 2009, \$392.6 M in CY 2010, and \$443.3 M in CY 2011. The increase in the cost as compared to the estimated cost under current law is estimated at \$221 M in CY 2009, \$0 in CY 2010, and \$0 in CY 2011. Circuit breaker credits reduce revenue to local civil taxing units and school corporations. Additional credits further reduce revenues.

A portion of the circuit breaker credits attributable to school corporations will be offset in CY 2008 and CY 2009 by the supplemental school distributions authorized by HEA 1001 (2008). That bill appropriated \$50 M in CY 2009 and \$70 M in CY 2010 to distribute to school corporations whose circuit breaker loss exceeds 2% of the school's total levy. Under current law, the total CY 2009 distribution is estimated at \$32.0 M. The \$32 M amount will replace 100% of the school circuit breaker credits for qualifying schools.

Under this bill, the entire \$50 M appropriation for CY 2009 would be distributed. So, the \$221 M additional cost for circuit breakers in 2009 under this bill would be partially offset by the \$18 M in available supplemental school distributions. The net additional loss to civil taxing units and school corporations under this provision is about \$203 M.

**State Agencies Affected:** DLGF.

**Local Agencies Affected:** County auditors, all local civil taxing districts and school corporations that have circuit breaker exposure.

**Information Sources:** OFMA Property Tax Databases; 2009 Budget Status Map, <http://www.in.gov/dlgf/6827.htm> , DLGF.

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